

Message Text

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PAGE 01 OTTAWA 02540 191719Z
ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01
INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04 OPIC-06
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FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC 7442
INFO AMCONSUL CALGARY
AMCONSUL HALIFAX
AMCONSUL MONTREAL
AMCONSUL QUEBEC
AMCONSUL TORONTO
AMCONSUL VANCOUVER
AMCONSUL WINNIPEG

UNCLAS OTTAWA 02540

DEPT. PASS CEA, TREAS, FRB

E.O. 11652:N/A
TAGS: ECON, CA
SUBJECT: CANADIAN INFLATION RATE DOWN IN APRIL.

1. SUMMARY. CONSUMER PRICES, SEASONALLY ADJUSTED, ROSE 0.4 PERCENT IN APRIL COMPARED WITH 1.2 PERCENT INCREASE IN MARCH. DECELERATION IN APRIL REFLECTS IMPLEMENTATION OF CUTS IN PROVINCIAL SALES TAXES. FOOD PRICES CONTINUED TO INCREASE SHARPLY. NON-SEASONALLY ADJUSTED CPI ROSE BY 8.4 PERCENT IN 12 MONTHS TO APRIL. CPI ROSE AT SEASONALLY ADJUSTED ANNUAL RATE OF 8.3 PERCENT OVER LAST 3 MONTHS.
END SUMMARY.

2. ACCORDING TO MAY 17 STATCAN RELEASE, NON-SEASONALLY ADJUSTED CPI ROSE 0.2 PERCENT TO 171.2 IN APRIL FROM MARCH
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PAGE 02 OTTAWA 02540 191719Z

LEVEL OF 170.8. FOOD PRICES SHOWED STRONG RISE OF 1.7 PERCENT IN MONTH UNDER INFLUENCE OF 8.9 PERCENT RISE IN BEEF PRICES AND OF INCREASES IN PRICES OF FRESH FRUITS AND VEGETABLES. INDEX OF ALL NON-FOOD ITEMS DECLINED BY 0.4 PERCENT DUE TO IMPLEMENTATION OF CUTS IN PROVINCIAL SALES TAXES PROPOSED IN APRIL 10 FEDERAL BUDGET.

3. IN 12 MONTHS TO APRIL, CPI ROSE BY 8.4 PERCENT, COMPARED WITH INCREASE OF 8.8 PERCENT IN MARCH. TWELVE MONTH INCREASE IN FOOD PRICES WAS 14.7 PERCENT AND IN NON-FOOD PRICES, 6.1 PERCENT.

4. ON SEASONALLY ADJUSTED BASIS, CPI ADVANCED BY 0.4 PERCENT BETWEEN MARCH AND APRIL, WITH FOOD PRICES INCREASING UNCLASSIFIED

BY 2 PERCENT AND NON-FOOD PRICES DECLINING BY 0.2 PERCENT. IN THREE MONTHS TO APRIL, CPI ROSE AT SEASONALLY ADJUSTED ANNUAL RATE OF 8.3 PERCENT, COMPARED WITH 8.1 PERCENT ANNUAL RATE OF INCREASE IN FIRST QUARTER.

5. COMMENT: CUT IN PROVINCIAL SALES TAXES PRODUCED STRONG DECELERATION IN CPI INCREASE BETWEEN MARCH AND APRIL. THIS IS A ONE TIME EFFECT, AND WILL NOT BE REPEATED IN SUBSEQUENT MONTHLY INCREASES DURING PERIOD TAX CUT IS IN EFFECT. HOWEVER, 12 MONTH INCREASES OF CPI IN A GIVEN MONTH DURING THIS PERIOD WILL CONTINUE TO BE LOWER THAN IT WOULD HAVE BEEN IN ABSENCE OF THE CUTS. ENDERS

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